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ExxonMobil: Capital Gains, Contemptible Costs

by Brandi Halle, Allison Hamad, Jennifer Hixon, and Noorjabeen Naseer

(Honors Sociology 210 – Biology 110)

The Assignment: This paper was part of a broader assignment concerning oil issues. These students did an excellent analytical work on the economical, political, and ecological impacts of Exxon-Mobil.

“Will corporations rule the world” (Robbins 122)? Such was the question posed by anthropologist Richard H. Robbins in his analysis of various threats to the nation-state. However, a better question might be: do corporations rule the world already?

ExxonMobil is one of the most powerful corporations in the world. Its operations span close to 200 countries and territories on six continents (Rouse 1). Though it operates far and wide, the corporate headquarters are in Irving, Texas.

ExxonMobil Corporation began as John D. Rockefeller’s Standard Oil Company. Rockefeller formed Standard Oil in 1870, but, after realizing that the creation of each new oil company resulted in a drop in oil prices, he decided to monopolize the oil market (Hampton). This led to the creation of the Standard Oil Trust in 1882, which enabled Rockefeller to open other independent companies, such as Jersey Standard, Standard Oil of New York (nicknamed Socony), and Vacuum Oil (Hampton).

After controlling 90% of the petroleum industry for 20 years, the Supreme Court broke up the Standard Oil Trust in 1911 and created 34 separate companies (Hampton). Jersey Standard was the largest remaining piece of the fractured company. With the purchase of 30% of the Arabian American Oil Company in 1948 and a 7% share in Iran’s oil production in 1954, Jersey Standard was the world’s number one oil company in its time (Hampton).

Other mergers followed: Vacuum and Socony in 1931 became Socony Mobil in 1955 and Mobil in 1976. Jersey Standard became Exxon; Exxon married Mobil (Hampton). Rockefeller’s children had come home, but ExxonMobil is far more than a reunion. ExxonMobil has over 30 subsidiaries, with operations including the exploration, production, refining, and marketing of hydrocarbons, as well as chemicals, coal, and minerals (Hampton). Rockefeller would be proud--or would he?

In 1863, Rockefeller (1839-1937) held his first position in the oil industry when he and a partner started an oil refinery; however, in 1865, due to disagreement among partners, Rockefeller purchased the company for \$72, 500. Over the next few years The Standard Oil Company continued to grow with the purchase of many refining firms, and, in 1882, “all its properties were merged in the Standard Oil Trust, which was in effect one great company” (John D. Rockefeller). By this time the company’s capital had risen from 1 million in 1870 to 70 million in 1882.

Rockefeller was more than just an oil tycoon. Over his lifetime he made numerous charitable contributions. He took philanthropy very seriously, investing time, effort, and most of his wealth into such endeavors as the founding of the Rockefeller Institute for Medical Research, the General Education Board, the Rockefeller Sanitary Commission, The Rockefeller Foundation, and The University of Chicago, to which he donated 35 million dollars (John D. Rockefeller). He made other personal contributions to universities, parks, church organizations, and YMCAs. Rockefeller died at age 97, but he lives on through both his corporate and philanthropic contributions.

A very different man from Rockefeller now heads ExxonMobil. Lee R. Raymond has been chairman and CEO of ExxonMobil since 1994. He received a bachelor’s degree and a Ph.D. in chemical engineering by 1963; later that year, he obtained a position at Exxon as a production research engineer (ExxonMobil Corporate). Currently, Raymond is preparing his successor, as he will be retiring from his

position. He recently turned 65, the age at which ExxonMobil typically expects its executives to retire (Schwartz 116). The environmentally conscious population will not miss Lee Raymond, who is known for ducking responsibility regarding environmental issues; however, the company's shareholders may differ in opinion, as profits have risen considerably since the beginning of his reign.

Lee Raymond, as both chairman and CEO, sits at the top of ExxonMobil's corporate structure. This structure consists of a Board of Directors and various committees. The Board is made up of the Chairman and the Directors, who may be shareholders or individuals independent of the company (ExxonMobil Corporate). The Board's role is to manage business and affairs of ExxonMobil. In order to do this they hold regular meetings eight times a year. The Board of Directors formulates the various committees to manage specific business aspects and appoints the members of the committees. These committees include the Audit Committee, Compensation Committee, and Finance Committee (ExxonMobil Corporate).

Whether it is as a result of their structure, their acquisitions, or their CEO, ExxonMobil is a highly profitable corporation. Since the merger in 1999, ExxonMobil has become the largest publicly held petroleum company in the world. Its international hydrocarbon holdings are remarkable and include reserves of 55.7 trillion cu. ft. of natural gas, 11.8 billion barrels of oil, refineries that can process 5.5 million barrels of oil per day, and 40,000 service stations (Hampton). These holdings, however, are not enough to produce the extraordinary profits that ExxonMobil has achieved. The worldview by which ExxonMobil operates can be summed up in a statement made by Lee Raymond in an interview with Dan Yergin in February 2003. He said, "everybody agrees that the world has to have sustained economic growth...there isn't anybody who says, well the world just should really stop growing".

ExxonMobil has continued to grow. Its second quarter profits for 2003 were up 58 percent from the year before and earnings were better than anticipated (ExxonMobil Corporate). Given their size, holdings, and profitability, ExxonMobil appears in almost all branches of the media. Though favored in the business sector, environmental and human rights news is seldom in the corporation's favor. One of the most infamous news events in its history is that connected to the 1989 catastrophe when the drunken captain of the Exxon Valdez oil tanker hit a reef near the Alaskan coast, dumping nearly 11 millions gallons of crude oil and contaminating more than 1,300 miles of coastline (BBC News).

Consequences were severe, as a lot of land was damaged and thousands of animals killed, some of whom were endangered species. For the last 14 years, the company has heard complaints from environmentalists and fisherman who have found the costs of the spill to be crippling. Executives at ExxonMobil, however, have failed to recognize the immensity of the damage, claiming that "The environment in Prince William Sound is healthy, robust and thriving" (BBC News). Although the corporation has agreed to pay a whopping 3.5 billion for compensation to fishermen and other Alaskans, federal and state settlements, and for the cleaning of Prince William Sound, oil analyst Gene Gillespie says they got off easy, "It's expensive and unfortunate, but they can financially deal with it" (Reuters). The company was especially fortunate since in late August of this year, the appellate court repealed a \$4 billion punitive damages charge against them (Reuters).

ExxonMobil's environmental record is among the worst in the petroleum industry, though its stated policies indicate otherwise. ExxonMobil developed the Operations Integrity Management System, which was designed to ensure safe environmental and health practices by the company. The primary goal of this system is to meet "safety, health, and environmental commitment to ...employees, contractors, neighbors, customers and all others affected by...operations" (ExxonMobil Chemical). Exxon Mobil also states in its Standards of Business Conduct that they "comply with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist" (ExxonMobil Corporate).

While ExxonMobil's environmental policy sounds effective, the company's record indicates the contrary. The 1989 Exxon Valdez oil spill released 250,000 barrels of crude oil into the Gulf of Alaska when the tanker struck the Bligh Reef in Prince William Sound. According to Jean Blashfield and Wallace Black, "Captain Joseph Hazelwood, master of the Exxon Valdez tanker, came on board after sharing drinks with a friend in the port" (Black et al.16). He then ordered that the tank be turned toward

the Bligh Reef to avoid calving ice from the glacier in the sea-lanes; then he planned to turn the 987-foot long ship away from the reef in time. Following this, Captain Hazelwood ordered that the speed to be accelerated to a speed only safe in open water, turned on automatic pilot, and retired to his cabin with a junior officer left in charge (Black et al 17). The resulting spill, when the ship hit the reef, covered 6,000 square miles and killed 580,000 sea birds, 144 bald eagles, 22 whales, and 5,500 sea otters. 1,244 miles of shore was polluted.

In addition to this spill, portions of the Mississippi River frequently have to be closed in response to spills caused by ExxonMobil. Groundwater, which is drinking water, has been contaminated several times, which has resulted in the closure of wells, and to this day Chairman Lee Raymond denies “that there’s any link between fossil-fuel consumption and global warming” (Schwartz 116).

Clearly, ExxonMobil’s actions do not reflect the values of their health and environmental policies; however, there are some actions that could improve their performance. The first is that all tankers should be required to have double-hulls, which would add further protection in the event of a collision. For the protection of the environment this should be implemented whether or not it is cost effective for the company. A committee other than the Operations Integrity Management System should also be formed to enforce the standards that the OIMS provides, as this would result in a system of checks and balances to assure safer practices. Mandatory drug and alcohol tests should also be given to captains immediately before boarding ships, rather than the periodic tests that are currently given. Also, placing two captains per barge or tanker, as planes require two pilots, would also result in fewer accidents. Of course, these suggestions will not solve all of the environmental consequences that the oil industry causes, nor will they prevent all accidents in the future, but they could be an effective start for a move toward the right direction.

If there are so many problems with ExxonMobil’s environmental record, why is the U.S. government not doing anything about it? ExxonMobil’s political impact in the United States is enormous. Its campaign contributions during the 2000 elections exceeded 1.3 million dollars, nearly 90 percent of which went to the Republican Party (Center for Responsive Politics). Contributions during 2002 topped 1.1 million, most of the money going once again to the Republicans.

These political contributions are dwarfed by the benefits that ExxonMobil reaps in return. It has been granted commercial access to federal lands, has successfully lobbied to have EPA regulations relaxed, has petitioned for policies that encourage a stronger U.S. dependence on oil, and has effected the decision for the U.S. to abandon the Kyoto Protocol, a global treaty requiring countries to lower their greenhouse gas emissions (ExxonMobil: Cashing In).

Though ExxonMobil is an American company, its political influence reaches far beyond U.S. borders. The Chad-Cameroon pipeline opened early in October 2003 with ExxonMobil as both the primary investor and the sole operator. The pipeline is backed by the World Bank and it is hoped that the oil revenues will bring stability to one of the world’s poorest nations. However, Chad has been plagued with civil strife and its government has a terrible record of human rights abuses (Just Earth). Already, funds that were meant to have been used for healthcare and education have been used for military purchases (Just Earth). This pipeline also runs through Cameroon’s Atlantic Littoral Forest. The environmental impact of this pipeline is not yet fully understood, but the forest and its inhabitants are certain to suffer as a result (Just Earth).

Another region in which ExxonMobil has dealt with unsavory political forces is Indonesia. ExxonMobil controls a natural gas pipeline in Aceh, an area that has been seeking independence from Indonesia (Weismann). It has been alleged that the Indonesian military provided “security services” for ExxonMobil from 1999 to 2001. During this time, the military committed gross human rights violations, including murder, torture, and kidnapping (Burman). ExxonMobil ceased operations in Aceh in March 2001, but has been charged with responsibility in the abuses by the International Labor Rights Fund in Washington D.C. (Weismann). The State Department, however, has urged the court to dismiss the lawsuit because of claims that it would somehow interfere with the U.S. “War on Terrorism” (Burman).

In more current news, Qatar signed a \$12.5 million deal with ExxonMobil to provide for gas demands in the United States, which will be the “largest investment ever in Qatar’s growing energy

industry" (Al-Jazeera). Qatar's Oil Minister Abd Allah Al-Attiyah says about the deal, "It makes Qatar Petroleum (QP) and ExxonMobil leaders in supplying the important US natural gas market". Qatar is not the only country making deals with ExxonMobil. ExxonMobil has submitted deals to Iran, Indonesia, and Nigeria as well (Yahoo! Finance).

With dealings all over the world, ExxonMobil has a large, diversified workforce. ExxonMobil currently employs 123,000 workers worldwide, 38 percent of whom work in the United States. When Exxon merged with Mobil in 1999, it agreed to maintain the current employment structure for both companies. This was important because many lower level employees were concerned for their job security. However, though jobs were retained, ExxonMobil became the first employer in the U.S. ever to rescind a sexual orientation non-discrimination policy (Stop ExxonMobil). The Human Rights Campaign, a political group supporting gay and lesbian issues, was up in arms after ExxonMobil immediately cancelled benefits for gay and lesbian partners of its employees (Maxon 28).

ExxonMobil's employee safety record in the U.S. has been commendable. It reports 2002 as their safest year on record. One of ExxonMobil's company standards is "Nobody Gets Hurt". Anything short of this, it says, is unacceptable (Molecular Technologies 20). ExxonMobil recently received awards from OSHA for outstanding health and safety practices in nine of its U.S. facilities (ExxonMobil Chemical).

Though workplace safety is an essential right of workers, ExxonMobil's employment policies worldwide have fallen far short of acceptable. In 2001, Amnesty International USA filed its first ever "corporate shareholder resolution" with ExxonMobil's shareholders (Amnesty International USA). This resolution asked that ExxonMobil institute a human rights policy modeled after the "UN Declaration of Human Rights". The resolution obtained many favorable votes at the 2002 shareholder meeting in Dallas, Texas, but not enough to pass. ExxonMobil's operations in Chad, Cameroon, Indonesia, and Columbia have been particularly problematic (ExxonMobil: Cashing In).

With all of the problems that ExxonMobil seems to have, it still manages to do some good. It has sponsored "Masterpiece Theatre" on PBS since 1971. It has developed programs to build schools and healthcare facilities in developing nations where it operates, such as Chad and Cameroon. In cooperation with the U.S. National Fish and Wildlife Foundation, ExxonMobil began a campaign in 1995 to save the tigers of the world (ExxonMobil Corporate). Though ExxonMobil participates in all of these programs and more, these actions are simply not enough.

As the saying goes, "With great power comes great responsibility." ExxonMobil is one of the greatest corporate powers today. This makes its responsibility immense. It claims to be a good corporate citizen, but the facts indicate otherwise. In order for ExxonMobil to become a reasonably moral entity, it might look back to its founder, John D. Rockefeller, who said, "Every right implies a responsibility; every opportunity, an obligation; every possession, a duty" (Rockefeller). Given these tenets, ExxonMobil has a long way to go.

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